

AMENDED IN SENATE JULY 16, 2003

AMENDED IN SENATE JULY 2, 2003

AMENDED IN SENATE JUNE 3, 2003

AMENDED IN SENATE APRIL 30, 2003

## SENATE BILL

No. 703

**Introduced by Senators Florez, ~~Denham~~, and ~~Poochigian~~ and  
Denham**

(Coauthor: Assembly Member Cogdill)

February 21, 2003

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~~An act to add Sections 745 and 746 to the Public Utilities Code, relating to public utilities, and declaring the urgency thereof, to take effect immediately. An act relating to public utilities.~~

### LEGISLATIVE COUNSEL'S DIGEST

SB 703, as amended, Florez. Electricity rates: agricultural irrigation pumps.

(1) The California Constitution authorizes the Public Utilities Commission to set rates for all public utilities subject to its jurisdiction.

~~This bill would require the commission to establish incentive rates for agricultural and water pumping customers meeting certain criteria, that are competitive with the cost of owning and operating diesel-driven irrigation pumps and other diesel-driven agricultural equipment. In establishing those incentives, the commission would be required to take into consideration the significant air quality and public health benefits of retiring existing diesel-driven irrigation pumps and other diesel-driven agricultural operations, to prevent future conversions to diesel equipment, to request that local air pollution control districts or~~

~~air quality management districts quantify the net reduction in air emissions, coordinate and avoid duplication with other state and federal incentives for conversion of diesel-driven agricultural equipment, and coordinate with other agricultural efficiency incentives and programs. The bill would require the commission to report to the Legislature by January 1, 2005, on implementation of the program established by the bill.~~

~~(2) Existing law requires the commission, in consultation with the Independent System Operator and the State Energy Resources Conservation and Development Commission (Energy Commission), to adopt initiatives, on or before March 7, 2001, to reduce demand for electricity and reduce load during peak demand periods, including differential incentives for renewable or super clean distributed generation resources. Pursuant to this requirement, the commission has developed a Self Generation Incentive Program to encourage customers of electrical corporations to install distributed generation that operates on renewable fuel or contributes to system reliability.~~

~~Under the Public Utilities Act, the commission requires electrical corporations to identify a separate rate component to fund in-state operation and development of existing and new and emerging renewable resources technologies. This rate component is a nonbypassable element of local distribution and collected on the basis of usage. Existing law requires specified electrical corporations to collect specific amounts to support in-state operation and development of existing and new and emerging renewable resources technologies. Existing law also requires the Energy Commission to transfer funds collected for in-state operation and development of existing and new and emerging renewable resources technologies into the Renewable Resource Trust Fund, and makes moneys in the fund continuously appropriated. Existing law establishes certain accounts in the Renewable Resource Trust Fund, including the Emerging Renewable Resources Account.~~

~~This bill would make systems utilizing ultra-clean and low-emission technologies for the generation of electricity, eligible for financial incentives pursuant to the Self Generation Incentive Program and the Emerging Renewable Resources Account, if the system is installed for use in agricultural operations. To the extent the bill would expand the uses for which moneys in a continuously appropriated fund may be expended, the bill would make an appropriation.~~



~~(3) This bill would declare that it is to take effect immediately as an urgency statute. declare the intent of the Legislature to establish cost-effective agricultural and water pumping electricity rate schedules that are competitive with diesel rates to prevent additional conversions of agricultural irrigation pumps.~~

Vote:  $\frac{2}{3}$  majority. Appropriation: yes no. Fiscal committee: ~~yes~~ no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature hereby finds and declares all the  
2 following:

3 (a) Over the past 15 years, a significant number of agricultural  
4 irrigation pumps, wind machines, and other agricultural  
5 equipment, have been converted from electrical motors to  
6 diesel-driven engines, due to rising electricity rates.

7 (b) Diesel-driven irrigation pumps and other diesel-driven  
8 agricultural equipment represent a source of oxides of nitrogen  
9 (NO<sub>x</sub>) and particulate matter that exacerbates the existing air  
10 quality and public health problems facing many areas of the state.

11 (c) The reduction or elimination of emissions from  
12 diesel-driven irrigation pumps and other diesel-driven agricultural  
13 equipment, through conversion to electricity and ultra-clean and  
14 low-emission technologies, is in the public interest.

15 (d) It is the policy of the State of California and the California  
16 Public Utilities Commission to encourage alternatives to  
17 diesel-driven irrigation pumps and other diesel-driven agricultural  
18 equipment, including electric motors, through the development of  
19 long-term rate structures that are competitive with diesel engines.

20 (e) It is the intent of the Legislature, in enacting this statute, to  
21 establish cost-effective agricultural and water pumping electricity  
22 rate schedules that are competitive with diesel rates to prevent  
23 additional conversions of agricultural irrigation pumps, and to  
24 provide an incentive to convert diesel-driven irrigation pumps  
25 back to electrical motors. It is the further intent of the Legislature  
26 that any discounts are financed by the beneficiaries of the air  
27 quality improvements, to avoid shifting costs to nonbeneficiaries.

28 ~~SEC. 2. Section 745 is added to the Public Utilities Code, to~~  
29 ~~read:~~

~~745. (a) The commission shall establish cost-effective incentive rates for agricultural and water pumping customers that are competitive with the cost of owning and operating diesel-driven irrigation pumps and other diesel-driven agricultural equipment. The rates established shall be sufficient to support conversion to electric equipment and shall be available to the customer for a period of 10 years. In order to be eligible for the incentive rates, a customer must do each of the following:~~

~~(1) Voluntarily convert diesel-powered agricultural load to electric power.~~

~~(2) Provide proof that diesel equipment being replaced has been surrendered to the local air pollution control district or air quality management district and permanently retired or reallocated at the discretion of the district, to achieve a net reduction in emissions.~~

~~(b) In establishing the incentive rates, the commission shall do each of the following:~~

~~(1) Consider the significant air quality and public health benefits of retiring existing diesel-driven irrigation pumps and other diesel-driven agricultural operations and preventing future conversions to diesel equipment.~~

~~(2) Request the local air pollution control district or air quality management district, to quantify the net reduction in air emissions associated with retirement or conversion prevention and to report those net reductions to the commission. In federal nonattainment areas, these emission reductions shall be permanently retired. In federal attainment districts, any surplus emission credits, as determined by the local air pollution control district or air quality management district, shall be credited to ratepayers.~~

~~(3) Coordinate and avoid duplication with other state and federal incentives for the conversion of diesel-driven irrigation pumps and other diesel-driven agricultural equipment.~~

~~(4) Coordinate with other agricultural energy efficiency incentives and programs.~~

~~(c) In determining the cost-effectiveness of the incentive rates authorized pursuant to this section, the commission shall consider distribution costs, including electrical line extensions and metering necessary to furnish electricity service.~~

~~(d) In implementing this section, the commission is authorized to include costs of necessary and appropriate incentives in rates,~~

1 ~~to be allocated equitably among those customers benefiting from~~  
2 ~~the resulting improvements in air quality. The net cost of the~~  
3 ~~program shall not exceed fifty million dollars (\$50,000,000)~~  
4 ~~annually. In authorizing such rates, the commission shall find it in~~  
5 ~~the ratepayer interest.~~

6 ~~(e) The commission shall establish the rates under this section~~  
7 ~~as part of ongoing comprehensive utility rate proceedings.~~

8 ~~(f) The commission shall report to the Legislature on or before~~  
9 ~~January 1, 2005, on the implementation of the program established~~  
10 ~~by this section. The report shall provide an accounting of the~~  
11 ~~overall cost to ratepayers and an assessment of the benefits to air~~  
12 ~~quality, including a cost-benefit analysis with other renewable~~  
13 ~~resource programs.~~

14 ~~SEC. 3. Section 746 is added to the Public Utilities Code, to~~  
15 ~~read:~~

16 ~~746. Notwithstanding any other provision of law, systems~~  
17 ~~utilizing ultraclean and low-emission technologies for the~~  
18 ~~generation of electricity, including solar powered systems,~~  
19 ~~whether or not connected to the electrical grid, shall be eligible for~~  
20 ~~financial incentives from the Emerging Renewable Resources~~  
21 ~~Account established pursuant to Section 445, and the Self~~  
22 ~~Generation Incentive Program, administered by the commission~~  
23 ~~and established pursuant to Section 379.5 (Decision 01-03-073,~~  
24 ~~March 27, 2001), if the system is installed for use in agricultural~~  
25 ~~operations.~~

26 ~~SEC. 4. This act is an urgency statute necessary for the~~  
27 ~~immediate preservation of the public peace, health, or safety~~  
28 ~~within the meaning of Article IV of the Constitution and shall go~~  
29 ~~into immediate effect. The facts constituting the necessity are:~~

30 ~~In order to ensure that critical air quality and public health~~  
31 ~~benefits are achieved in an expedited manner, it is necessary that~~  
32 ~~this act take effect immediately.~~